SILVERLAKE AXIS LTD.
(Registered in Singapore)
(Company Registration No. 202133173M)

RESPONSE TO QUESTIONS RECEIVED FROM SHAREHOLDERS PRIOR TO THE COMPANY'S ANNUAL GENERAL MEETING

The Board of Directors (the "**Board**") of Silverlake Axis Ltd. (the "**Company**" or "**SAL**" and together with its subsidiaries, the "**Group**" or "**SAL Group**") would like to thank shareholders for submitting their questions in advance of the Company's Annual General Meeting ("**AGM**") to be convened and held at Banquet Suite, Level 10, M Hotel Singapore, 81 Anson Road, Singapore 079908 on Thursday, 26 October 2023 at 2.00 p.m.

The Company's responses to the first batch of shareholders' questions, which are copied verbatim in this announcement, are grouped according to topics as set out below:

A. Business Performance and Prospects
B. Investments
C. SAL Shares and Share Price
D. Dividend

It is important to note that these questions and responses should be read in conjunction with the Company's Annual Report 2023 and with contextual reference to the proceedings of the AGM including the presentation to be made and resolutions tabled at the AGM, along with the Company's previous announcements.

The Company will release another announcement by Friday, 20 October 2023 to address the remaining questions received.

Section A – Business Performance and Prospects

Question A.1

The net profit margin of the company is eroding due to inflationary pressures in staffing and financing costs. Why is company not able to pass on the cost increase to customers? Do we expect net profit to increase or decrease over next 2 years? This has significant bearing on dividend payout to shareholders.

Response:

The Group has achieved net profit margin of 22% in FY2023. Although the margin is 3% lower than FY2022, it is in line with industry benchmark of 20%. The decrease in net profit margin is mainly due to non-controllable higher tax expenses in FY2023 resulted from lower tax allowances and credits and higher profitability generated from recurring revenue segments.

From operations perspective, the Group's Gross Profit Margins are in a stable range of 57% to 63% over the years. The Group achieved EBITDA of RM265.6 million in FY2023, stable and comparable with RM268.3 million achieved in FY2022. EBITDA margin of 35% in FY2023 was 1% lower than FY2022, decreased despite better operating performance from increased revenue and gross profit primarily due to cost inflation and expansion of business activities for long-term growth. The Group continues to generate stable earnings whilst spent to support business and market expansion and to invest in our product suite to ensure we remain at the forefront of technological innovation for long-term sustainability.

In the current challenging market environment, no doubt that the cost of business has

increased, due consideration on market acceptance, clients' acceptance and competitive pricing are important before passing the incremental cost to customers. We constantly review and revise our pricing to ensure competitiveness in the industry. Our strategy is to strike an optimum balance in operating our business by ensuring we continue to expand our sales coverage to secure new contracts from existing and new clients with competitive pricing to achieve revenue growth and at the same time remain profitable.

For longer term, we continually evaluate the market and look out for opportunities. We are committed in executing our five-year strategy and plan, transformation program and restructuring plan to remain competitive and to improve operational efficiency. This will bear fruits in the coming years to improve group profitability.

Question A.2

Apart from MOBIUS, what is the key differentiation when Silverlake Axis goes to market?

Response:

Our key differentiators go beyond our products:

1. From solutions perspective, we have three (3) core banking products coverage (Silverlake Axis Integrated Banking Solution ("SIBS"), Silverlake Digital Banking MÖBIUS Open Banking Platform ("MÖBIUS") and Silverlake Symmetri Core Banking Solution and OmniCard solutions) that catered to different bank tiers and to the local and regional banks. We understand the banking industry and have strong subject matter experts particularly in South East Asia. This is a clear demonstration of our understanding of the global and local business environment, regulatory and business needs of our customers end to end.

2. From presence perspective, we are where our customers are. We have presence in the countries that we operate and being able to respond fast to clients' request.

3. From delivery perspective, our track record of 100% success rate in implementation over the past 34 years have proven SAL Group's 3Es model (Experience, Expertise and Execution) especially in serving banking industry. Our key differentiation is when they choose, they can trust that we will deliver and deliver well.

Question A.3

Is Silverlake Axis gaining or losing market share in ASEAN, rest of Asia, Middle East and Europe over past 5 years? Is the total addressable market increasing or decreasing in these regions?

Response:

The Group is the dominant player in South East Asia with the largest market share. 40% of the top 20 largest banks in South East Asia use Silverlake Axis' core banking solutions.

SAL Group recorded revenue of RM765.9 million in FY2023. This is the highest revenue for the Group since the Company's listing in Singapore Exchange Securities Trading Limited in March 2003.

As compared with past five (5) years, FY2023 revenue was 41% higher than FY2018 as presented in table below. Group revenue was generated mainly in Asia, contributed more than 80% of total Group revenue. After the acquisition of Silverlake Symmetri (Singapore) Pte. Ltd. Group and SIA X Infotech Group in FY2016 and FY2019 respectively, revenue contribution from Middle East have ramped up over the years and XIT has its client base in Americas. SAL Group has gradually expanded its market presence and market shares by cross selling the Group's products and services offerings to existing and new clients.

As per Note 40(b) to the financial statements as presented on Page 205 in the Annual Report 2023, SAL Group revenue saw a significant increase in Asia since FY2018.

	FY2023		FY2018		FY2023 vs FY2018
	Revenue RM' million	Mix	Revenue RM' million	Mix	% Δ Revenue
Asia	679.2	89%	498.8	92%	36%
Middle East	45.0	6%	18.5	3%	144%
Americas	4.3	<1%	-	0%	100%
Africa	16.5	2%	9.8	2%	68%
Europe	20.9	3%	14.7	3%	42%
	765.9	**100%**	**541.8**	**100%**	**41%**

Over the past 5 years, the Group has achieved 7% compound annual revenue growth rate. This is in line with the average annual core banking spent growth rate which ranges 7% to 10%. We have not lost any customers over the years. In FY2023, we have also secured six (6) new logo banks that contributed to the increase in SAL Group revenue.

Section B – Investments

Question B.1

Global infotech is held as passive investment on company books. The 8.5% stake is worth around SGD200m? Why are we not disposing of the shares to pay out special dividends? Will company record extraordinary profit or loss for such disposal? What other passive assets are available for disposal on company books?

Response:

After the monetisation of part of the Group's shareholding in Global InfoTech Co. Ltd. ("GIT") in previous years, the Group currently hold 37.1 million shares in GIT. This represents 8.3% equity interest in GIT with a carrying value of RM236.4 million as at 30 June 2023.

GIT is one of our Fintech investments in China and has more potentials as China government's regulatory crackdown on companies and mandating banks to localise their core banking software and platforms vendors. We will continue to monitor the business performance, corporate action and share price movement of GIT to assess and be alert to potential opportunity to realise further value from the remaining investment.

As the Group has elected to classify irrevocably this equity investment as Equity Instrument designated at Fair Value through Other Comprehensive Income ("FVOCI") in accordance with SFRS(I) 1-32 Financial Instruments: Presentation and are not held for trading, any gains and losses on GIT shares will never recycle to profit or loss. There is no impact to income statement upon disposal.

The Group adopts conservative investment strategies which include money market, fixed deposits placement and interest enhancement facility for current accounts to protect the available fund (i.e., principal), maintain operational liquidity and at the same to enhance return from interest received for the Group. There is no other passive asset available for disposal.

Section C – SAL Shares and Share Price

Question C.1

An equal access offer was made in March 22 at 33 cents a share. Given current depressed share prices well below 33 cents, what is preventing the board from making a similar offer?

Response:

The Company made an Equal Access Offer to shareholders in April to May 2022. The Company has utilised RM177 million to purchase 170 million shares at SGD0.33 per share. The Equal Access price of SGD0.33 per share was at a 17.86% premium of the last transacted price of SGD0.28 per share on 11 March 2022. This offer is an alternative to share repurchase by market acquisition which would have been slow to achieve this volume and it offered an

opportunity for shareholders to realise their investments at a premium over recent market prices without incurring transaction costs.

The relevant listing rules of the SGX-ST require a listed company to ensure that at least 10% of its shares are at all times held by public shareholders. As at 15 September 2023, approximately 23.34% of the issued ordinary shares of the Company was held in the hands of the public (on the basis of information available to the Company).

There are many factors to consider before making any Equal Access Offer such as expected liquidity or public float in the market, expected acceptances rates, source of funding, cost of the offer and other regulatory compliance matters.

In view that the Company has just performed an Equal Access Offer in FY2022 and the cost of funding is rising, the Company did not make the same offer in FY2023. We constantly monitor our share price and will consider this off-market acquisition scheme should the need arise at the appropriate time.

Section D – Dividend

Question D.1

The dividend policy is shown as 40% on company website FAQ. When and why has this changed to 30%? Again, this has significant bearing on dividend payout to shareholders.

Response:

As disclosed in SAL Corporate Governance Statement – Provision 11.6, the form, frequency and amount (or quantum) of dividends will depend on, among other things, the Company's earnings, financial performance, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Dividend payouts are communicated to shareholders via announcements on SGXNet when the Company discloses its financial results.

The Group's financial condition and operating performance are being monitored closely and any decision for dividends are made after due consideration of the importance of maintaining appropriate cash to take advantage of any growth potential or business opportunities when they arise as well as the needs for returns to shareholders. The Company's dividend yield of 1.7% for FY2023 (FY2022: 2.4%) is comparable with similar industry players which recorded dividend yield in the range of 1% to 2%.

BY ORDER OF THE BOARD

Andrew Tan Teik Wei
Group Managing Director

19 October 2023